

Message Text

CONFIDENTIAL

PAGE 01 SAN JO 02822 172325Z
ACTION XMB-04

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FM AMEMBDYSY SAN JOSE
TO SECSTATE WASHDC 7826

C O N F I D E N T I A L SAN JOSE 2822

E.O. 11652: GDS
TAGS: BPRO, CS
SUBJECT: PROPOSED EXIMBANK FINANCING FOR SALE OF AGRICULTURE
EQUIPMENT

REXHPYSTATE 111066

1. ACCORDING TO BERNARDO KOPPER ROJAS, EXECUTIVE PRESIDENT OF AZUCARERA TEMPISQUE, S.A. THE VALUE OF THE AGCLCULTURE EQUIPMENT TO BE PURCHASED FROM INTER-AMERICAN TRANSPORT EQUIPMENT IS 800,000 DOLLARS, NOT 2.8 MILLION AS STATED REFTEL.
2. THE ASSISTANT MANAGER OF BANCO NACIONAL ADVISED THAT THAT INSTITUTION HAD NOT YET TAKEN ACTION ON THE REQUEST OF AZUCARERA TEMPISQUE TO GUARANTEE LWU LOAN FOR THE PURCHASE OF THIS EQUIPMENT.
3. THERE ARE NO INDICATIONS THAT EITHER VESCO OR THE RODRIGUEZ BROTHERS (LATIN AMERICAN BANK BANCO DE LA CONSTRUCCION/GRUOP PROIN) HAVE ANY FINANCIAL INTEREST IN THIS COMPANY.
4. GIVEN THE PRESENT AND SHORT-TERM PROSPECTS FOR THE PRICE OF SUGAR ON BOTH THE LOCAL AND WORLD MARKETS COUPLED WITH RISING LOCAL PRODUCTION COSTS IT WOULD APPEAR DOUBTFUL THAT AZUCARERA TEMPISQUE'S PROJECT WOULD BE ECONOMICALLY SUCCESSFUL UNLESS IT RECEIVES SOME FORM OF SUBSIDY OR FINANCIAL ASSISTANCE FROM THE GOCR, AT LEAST UNTIL SUGAR PRICES RISE. AZUCARERA

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PAGE 02 SAN JO 02822 172325Z

TEMPISQUE IS 95 PER CENT OWNED BY THE COSTA RICAN DEVELOPMENT CORPORATION(CODES) WHICH, AFTER ITS ESTABLISHMENT AS A MIXED, PUBLIC/PRIVATE ENTITY IS NOW, DE FACTO, A GOVERNMENT-CONTROLLED INSTITUTION. AS SUCH, ITS PROJECTS HAVE TENDED TO BE CLOSELY IDENTIFIED WITH THE PRESENT GOVERNMENT. IN ADDITION, IT IS WIDELY BELIEVED IN POLITICAL AND BUSINESS CIRCLES THAT PRESIDENT ODUBER AND MINISTER OF TRANSPORT AND PUBLIC WORKS JENKINS HAVE

FINANCIAL CONNECTIONS WITH AZUCARERA TEMPISQUE(JENKINS SERVES AS A MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY). CODESA LOST ITS PRIVATE SECTOR PARTICIPATION WHEN PRESIDENT ODUBER FIRED THE PRIVATE DIRECTORS FOR FAILURE TO MOVE AHEAD RAPIDLY ON THIS AND OTHER PROJECTS PUSHED BY THE GOVERNMENT.

5. ON THE BASIS OF THE FOREGOING WE BELIEVE THAT SUFFICIENT FINANCIAL ASSISTANCE WOULD BE FORTHCOMING FROM THE PRESENT GOVERNMENT TO SUSTAIN WHAT WOULD OTHERWISE BE A DUBIOUS ECONOMIC VENTURE. HOWEVER, IT IS NOT POSSIBLE TO SAY WHAT ATTITUDE THE NEW GOVERNMENT THAT EMERGES FROM THE FEBRUARY 1978 ELECTIONS WILL TAKE TOWARD THE PROJECT.

6. IF AFTER CONSIDERING THE ABOVE FACTORS, THE EXPORT-IMPORT BANK WISHES TO OFFER A GUARANTEE ON SALE OF THE EQUIPMENT TO AZUCARERA TEMPISQUE, S.A., THE EMBASSY WOULD RECOMMEND THAT EXIMBANK REQUIRE EVIDENCE THAT THE BANCO NACIONAL DE COSTA RICA HAS MADE AVAILABLE ITS GUARANTEE.
KILDAY

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Message Attributes

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Sent Date: 17-Jun-1977 12:00:00 am
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